

# Section 1 Introduction

## 1.1 Welcome

Thank you for participating in the California Franchise Tax Board's Business e-file Program. We are pleased to welcome you back and thank you for your support. If you are new to our program, welcome aboard and thank you for joining our team.

This publication is designed to provide Software Developers and Transmitters the technical information needed to participate in our program. It outlines data communication procedures, transmission formats, Business Rules, data types, and XML Schemas for e-filing California business tax returns. It also defines the format of attachments, provides information about receipts and acknowledgements, defines the signature options, and provides examples of return and attachment sequences.

This is one of three e-file publications you will need to be a successful software developer or transmitter in the California Business e-file Program. The other publications you will need are:

- 2006 Business e-file Handbook for Authorized e-file Providers of California Business Tax Returns (FTB Pub. 1345B).
- 2006 Test Package for e-file of California Business Tax Returns (FTB Pub. 1436B).

## 1.2 Program Overview

Business e-file began in January of 2006, allowing business taxpayers to e-file the Form 100 Corporation Tax Return for the first time.

Beginning January 2, 2007, business taxpayers will be able to e-file the following additional return types for taxable years beginning on or after January 1, 2006:

- Form 565, *Partnership Return of Income*
- Form 568, *Limited Liability Company Return of Income*
- Form 100S, *S-Corporation Franchise or Income Tax Return*

We currently utilize an electronic filing architecture similar to the Internal Revenue Service (IRS). This allows us to provide a more efficient e-file system with Internet batch transmission capabilities.

The following are some of the benefits of the CA Business e-file program:

- The use of Extensible Markup Language (XML) to format return data and transmissions to FTB.
- The transmission of tax returns and documents securely via the Internet.
- The transmission of binary data (non-XML documents) to FTB in PDF format.
- Business Rules that provide clear explanations of errors.
- A standardized acknowledgment file structure, which is built upon our transmission structure.
- The ability to use the scanned form 8453-C, 8453-P or 8453-LLC process and allow the tax preparer to either maintain the signature form or scan the form as a PDF and attach it to the return.
- Fiscal Year Returns accepted
- Prior Year returns accepted starting with tax year 2005 (Form 100 only at this time)

We plan to expand our Business e-file Program in future years. Refer to Section 1.13 for expansion plans.

### 1.3 Business e-file Calendar for Forms 100 and 100S – Taxable Year 2006

You can submit your [California e-file Program Participant Enrollment Form \(FTB 8633\)](#) at any time during the year.

<b>November 20, 2006</b>	<b>FTB begins accepting test transmissions (PATS Testing)</b> Testing begins upon release of the Test Package for e-file of California Business Tax Returns (FTB Pub. 1436B)	
<b>January 2, 2007</b>	<b>First day to transmit live FTB 100 and 100S returns</b>	
<b>Return Due Date</b>	<b>The law</b> specifies the annual dates for a business entity to file a return. The dates vary between business entity types.	
<b>If the form is</b>	<b>And the classification is</b>	<b>Then the due date is</b>
Form 100	Farmers Cooperative Association	<b>Original</b> – 15 <sup>th</sup> day of the 9 <sup>th</sup> month after the taxable year end <b>Extended</b> – 15 <sup>th</sup> day of the 16 <sup>th</sup> month after the taxable year end
Form 100 Form 100S	All other classifications	<b>Original</b> – 15 <sup>th</sup> day of the 3 <sup>rd</sup> month after the taxable year end <b>Extended</b> – 15 <sup>th</sup> day of the 10 <sup>th</sup> month after the taxable year end
15 <sup>th</sup> day of the 3 <sup>rd</sup> month after the taxable year end	Last day to timely file Form 100 or 100S original returns	
15 <sup>th</sup> day of the 10 <sup>th</sup> month after the taxable year end	Last day to timely file Form 100 or 100S returns on extension	
15 <sup>th</sup> day of the 9 <sup>th</sup> month after the taxable year end	Last day to timely file Form 100 Farmers Cooperative Association original returns	
15 <sup>th</sup> day of the 16 <sup>th</sup> month after the taxable year end	Last day to timely file Form 100 Farmers Cooperative Association returns on extension	
20 days past all return due dates	Last day to retransmit rejected timely-filed returns	
Last day to retain return is dependent on law.	Last day for EROs and transmitters to retain acknowledgment file material for returns e-filed in 2007 <b>Remember:</b> For each return an ERO files, EROs must retain the return and the California e-file Return Authorization for Corporations (FTB 8453-C), in their records for the same period of time as the return, unless they scan it and include it with the e-file return.	

FTB will accept and process Business e-file returns year round. Due to the nature of fiscal filing, we will not shut down the system in October as we do for individual e-filed returns.

#### 1.4 Business e-file Calendar for Forms 565 and 568 – Taxable Year 2006

You can submit your [California e-file Program Participant Enrollment Form \(FTB 8633\)](#) at any time during the year.

<b>November 20, 2006</b>	<b>FTB begins accepting test transmissions (PATs Testing)</b> Testing begins upon release of the Test Package for e-file of California Business Tax Returns (FTB Pub. 1436B)
<b>January 2, 2007</b>	First day to transmit live FTB 565 and 568 returns
<b>Return Due Date</b>	The law specifies the annual dates for a business entity to file a return. The dates vary between business entity types.
<b>If the form is</b>	<b>Then the due date is</b>
Form 565	<b>Original</b> – 15 <sup>th</sup> day of the 4 <sup>th</sup> month after the taxable year end <b>Extended</b> – 15 <sup>th</sup> day of the 10 <sup>th</sup> month after the taxable year end
Form 568	<b>Original</b> – 15 <sup>th</sup> day of the 4 <sup>th</sup> month after the taxable year end <b>Extended</b> – 15 <sup>th</sup> day of the 10 <sup>th</sup> month after the taxable year end
15 <sup>th</sup> day of the 4 <sup>th</sup> month after the taxable year end	<b>Last day to timely file Form 565 or 568 original returns</b>
15 <sup>th</sup> day of the 10 <sup>th</sup> month after the taxable year end	<b>Last day to timely file Form 565 or 568 extended returns</b>
20 days past all return due dates	<b>Last day to retransmit rejected timely-filed returns</b>
Last day to retain return is dependent on law.	<b>Last day for EROs and transmitters to retain acknowledgment file material for returns e-filed in 2007</b> <b>Remember:</b> For each return an ERO files, EROs must retain the return and the California e-file Return Authorization for Partnerships or LLCs (FTB 8453-P or 8453-LLC), in their records for the same period of time as the return, unless they scan it and include it with the e-file return.

FTB will accept and process 2006 Business e-file returns year round. Due to the nature of fiscal filing, we will not shut down the system in October as we do for individual e-filed returns.

## 1.5 Where Can I Get More Information?

For Business e-file assistance and information please visit the Tax Professional's area of our Website or contact e-Programs Customer Service:

**Website:** <http://www.ftb.ca.gov>

### **e-Programs Customer Service:**

Phone: (916) 845-0353

Fax: (916) 845-0287

Email: [e-file@ftb.ca.gov](mailto:e-file@ftb.ca.gov)

Available Monday through Friday, between 8 a.m. and 5 p.m.

## **Subscription Services**

Subscription Services is a free Web-based email system, which allows you to opt-in to receive information directly to your email account. Here's what you get with Subscription Services:

- Tax News – FTB's publication with information on laws, legislation, programs and services important to tax professionals.
- e-file News – Information on e-file, e-Services, seminars, and processing developments important to tax professionals.

Send comments or suggestions regarding the CA Business e-file Program or this publication to:

**e-file Coordinator, MS F-284  
Franchise Tax Board  
PO Box 1468  
Sacramento CA 95812-1468**

**Email:** [e-file.coordinator@ftb.ca.gov](mailto:e-file.coordinator@ftb.ca.gov)

**Assistance for persons with disabilities:** We comply with the Americans with Disabilities Act. Persons with hearing or speech impairments please call TTY/TDD (800) 822-6268.

### **1.5.1 Restricted e-file Directory**

FTB's Restricted e-file Directory is an online directory of advanced draft technical e-file information targeted towards electronic filing participants who develop software & transmit returns. The e-file Restricted Directory is a secure site located on our website at: <http://www.ftb.ca.gov/efileSRD>.

Access to this directory requires a password. Contact the e-file Coordinator to get more information about access to this site.

## 1.6 What's New for Taxable Year 2006?

### Business e-file expansion

Business e-file began in January of 2006, allowing business taxpayers to e-file the Form 100 Corporation Tax Return for the first time.

Beginning January 2, 2007, business taxpayers will be able to e-file the following additional return types for taxable years beginning on or after January 1, 2006:

- Form 565, *Partnership Return of Income*
- Form 568, *Limited Liability Company Return of Income*
- Form 100S, *S-Corporation Franchise or Income Tax Return*

Taxpayers sign their business returns using the following forms:

- Corporations: Form FTB 8453-C, *California e-file Return Authorization for Corporations*.
- Partnerships: Form FTB 8453-P, *California e-file Return Authorization for Partnerships*.
- Limited Liability Companies: Form FTB 8453-LLC, *California e-file Return Authorization for Limited Liability Companies*.

For more information on Business e-file refer to FTB Publication 1345B, *2006 Business e-file Handbook for Authorized e-file Providers of California Business Returns* or go to our Website at [www.ftb.ca.gov](http://www.ftb.ca.gov) and search for **Business e-file**.

## 1.7 Acceptable Forms and Occurrences for CA Business e-file

The following chart lists the acceptable forms and schedules that may be e-filed with FTB and the maximum number of each type of form or schedule allowed per return.

Form/Schedule	Name	Maximum # of Forms
Form 100	CA Corporation Franchise or Income Tax Return	1
Form 100S	CA S Corporation Franchise or Income Tax Return	1
Form 100WE	Water's Edge Election	1
Form 565	Partnership Return of Income	1
Form 568	Limited Liability Company Return of Income	1
Form 592-B	Nonresident Withholding Tax Statement	Unlimited
Form 593-B	Real Estate Withholding Tax Statement	Unlimited
Form 594-B	Notice to Withhold Tax at Source	1
Form 3501	Employer Child Care Program/Contribution Credit	1
Form 3521	Low-Income Housing Credit	1
Form 3523	Research Credit	1
Form 3834	Interest Computation Under the Look-Back Method for Completed Long-Term Contracts	1
Form 3540	Credit Carryover Summary	1
Form 3548	Disabled Access Credit for Eligible Small Businesses	1
Form 3801	Los Angeles Revitalization zone Business	1
Form 3801-CR	Passive Activity Credit Limitations	1
Form 3805E	Installment Sale Income	Unlimited
Form 3805Q	Net Operating Loss (NOL) Computing and NOL and Disaster Loss Limitation - Corp	Unlimited
Form 3805Z	Enterprise Zone Deduction and Credit Summary	Unlimited
Form 3806	Los Angeles Revitalization Zone Deduction and Credit Summary	Unlimited
Form 3807	Local Agency Military Base Recovery Area Deduction and Credit Summary	Unlimited
Form 3809	Targeted Tax Area Deduction and Credit Summary	Unlimited
Form 3885	Corporation Depreciation and Amortization	1
Form 3885L	Depreciation and Amortization	1
Form 3885P	Depreciation and Amortization	1
Form 5806	Underpayment of Estimated Tax by Corporations	1
LLC Income Worksheet	Limited Liability Company Income Worksheet	1
SCH B (100S)	S Corporation Depreciation and Amortization	1
SCH C (100S)	S Corporation Tax Credits	1
SCH D (100S)	S Corporation Capital Gains and Losses and Built-In Gains	Unlimited
SCH D (565 & 568)	Capital Gains or Loss	Unlimited
SCH D-1	Sales of Business Property	Unlimited
SCH H (100S)	Dividend Income Deduction	1
SCH K-1 (100S)	Shareholder's Share of Income, Deductions, Credits, etc.	Unlimited
SCH K-1 (565)	Partner's Share of Income, Deductions, Credits, etc.	Unlimited
SCH K-1 (568)	Member's Share of Income, Deductions, Credits, etc.	Unlimited
SCH P	Alternative Minimum Tax and Credit Limitations - Corporations	1
SCH QS	Qualified Subchapter S Subsidiary (QSub) Information Worksheet	1
SCH R	Apportionment and Allocation of Income	1
Supplemental SCH R	Supplemental Apportionment and Allocation of Income	Unlimited

## 1.8 Acceptable Federal Forms for CA Business e-file

California Business e-file accepts all applicable federal forms that are acceptable by the IRS Modernized e-file (MeF) Program.

We do **not** require the accompanying federal submission to be accepted by the IRS prior to including it with the state submission, however the federal submission will be validated against the current applicable federal schema.

## 1.9 Other Eligible Filing Conditions

We also allow the following filing conditions:

- Fiscal year returns
- Returns filed with foreign addresses
- Prior year Form 100 returns starting with the 2005 tax year

## 1.10 Exclusions to Electronic Filing

We exclude the following returns from CA Business e-file:

- Returns from business taxpayers, preparers or transmitters who have not been accepted as participants in California's Business e-file Program
- Amended returns
- Combined returns
- Water's Edge returns
- Fiduciary Returns

## 1.11 Reminders

### CA Business e-file is not mandatory

Although California law requires individual income tax returns prepared by certain income tax preparers to be e-filed, this law does not currently apply to business tax returns.

To learn more about Mandatory e-file for individual income tax returns, refer to Section 2.4 of the *2006 e-file Handbook* (FTB Pub 1345) or visit our Website at [www.ftb.ca.gov](http://www.ftb.ca.gov) and search for **mandatory e-file**.

### Online e-file Program Enrollment Form

You can enroll or update your enrollment information online at our [Website](#). Log in using your IRS-issued Electronic Filer Identification Number (EFIN) and complete the one-page form online. Click the submit button and our e-Programs Customer Service can begin processing your form immediately. When you enroll or update your information online there is nothing to mail to FTB.

## Estimate Payments Request with e-file Return

Business e-file provides the ability to send a schedule of electronic funds withdrawal requests for future estimated tax payments, if applicable for the return type being filed, as part of the e-file return transmission. The entries for the dates and amounts of the estimate payments will be contained in the return data payment documents (CA-EstimatePaymentType) and will be provided to the business taxpayer on their form FTB 8453-C, FTB 8453-P or FTB 8453-LLC. For more information regarding payment options and requirements refer to Section 7.

## FTB 8453-C – California e-file Return Authorization for Corporations, FTB 8453-P (Partnerships) and FTB 8453-LLC (Limited Liability Companies)

The business taxpayer, ERO, and paid preparer must sign form FTB 8453-C, FTB 8453-P or FTB 8453-LLC prior to the transmission of the e-file return. This form may be retained by the preparer or business taxpayer according to the rules of our program or scanned and included as an attachment to the e-file return. **Do not mail this form to FTB.**

## Secretary of State (SOS) Dissolution

On September 29, 2006, the Governor signed Assembly Bill 2341 eliminating the need for a tax clearance certificate.

Affected entities:

- Corporations,
- Limited liability companies (LLC),
- Limited liability partnerships (LLP),
- Limited partnerships, and Not-for-profit corporations and exempt entities.

For information concerning how AB 2341 impacted the filing of dissolution, surrender, or cancellation documents with the SOS, please visit [www.ss.ca.gov](http://www.ss.ca.gov) or call (916) 653-3795.

## Automatic Extension to File

We grant an automatic, paperless extension to file a California business tax return to business entities that are in good standing on the original due date and meet all other requirements. No filing of an extension form is required. Corporations receive a seven-month extension and Partnerships/LLCs receive a six-month extension from the original due date of the return.

Suspended corporations are not granted an automatic extension of time to file. An extension is for filing of the return only. Payment of tax and LLC fee is due on the original due date.

If an original return is not filed on or before the extended due date, we will deny the extension and will assess penalties from the original due date. In certain circumstances, the federal government may grant extensions for short-period returns. These extensions may be more than seven months. If the federal law granting the extension is applicable to California, the federal due date will become the due date for the California return.



## 1.12 Identifying What's Changed - Use of Version Name, Maturity Level, and Differences Documents.

We utilize several tools to aid in identifying changes to our Schemas, Business Rules, and related information.

### Version Name

- Each XML Schema and Business Rule document has a version number.
- The version number will change either by a whole number, to indicate a major change (change in tax year, etc.) or by a decimal number (i.e., x.5 to x.6) to indicate a minor or mid-year change.
- XML Schemas and the Business Rule documents being used in conjunction with the Schemas in production will have the same version number. This ensures that a set of rules enforce the appropriate Schema version. Therefore, if the Schema version changes, the Business Rule version will also change to correspond to it, even if the Business Rules themselves did not change.
- The “returnVersion” attribute of the “CA-Return” element identifies the version of the state Schema being applied for XML validation.
- Concurrently, the relative path to the IRS Schema version that is used by us to validate the included IRS return’s Schema is referenced in our Schema as well.
- Like the IRS, we will accept a return composed with any published CA Schema version, so long as it validates against the active validating Schema at the time we process it.

### Maturity Level

- Each Schema release contains a textual description of the maturity level of the particular Schema, such as: *2006 1<sup>st</sup> Working Draft* or *2006 Final Draft*

### Release Date

- Each Schema contains a release date. If nothing within a particular Schema has changed since the last Schema release, the release date of that particular Schema will remain the same so the user can better determine which Schemas have changed.

### Differences (Diffs) Document

- Accompanying each Schema package is a Diffs document that highlights changes from a previous release.

### Obtaining Change Information Online

Changes to draft Schemas, Business Rules, and related information are posted to the e-file Restricted Directory at <http://www.ftb.ca.gov/efilesrd>. The latest revision date will be listed first.

Links to current Schemas, Business Rules, and related information will be available in the e-file area of our public Website in the late fall at <http://www.ftb.ca.gov/>.

### **1.13 Plans for Expansion of CA Business e-file**

The following form types are planned for addition to the CA Business e-file Program in future years:

- 2008
  - Form 100W Water's Edge
  - Combined Returns